

# Fund 603

## OPEB Trust Fund

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### Focus

Fund 603, OPEB Trust Fund, funds the cost of other post-employment benefits (OPEBs) including health care, life insurance, and other non-pension benefits offered to retirees.

Beginning in FY 2008 the County's financial statements are required to implement Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the County's retiree health benefit subsidy. Historically, the County's subsidy was funded on a pay-as-you-go basis. GASB 45 requires that the County accrue the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the County. This funding methodology mirrors the funding approach used for pension benefits.

The County has established Fund 603, OPEB Trust Fund, which allows the County to capture long-term investment returns, make progress towards reducing the unfunded liability, and pre-fund the cost of post-employment health care and other non-pension benefits. The initial actuarial valuation calculated the County's actuarial accrued liability (excluding the Schools portion) at approximately \$191 million. This liability will be recalculated at the next valuation and will include adjustments due to benefit enhancements, medical trend experience, and normal growth assumptions.

As part of the *FY 2005 Carryover Review*, a reserve was established in Fund 506, Health Benefits Trust Fund, to begin to address the unfunded liability, and an amount of \$10.0 million was set aside in this reserve from excess revenues received from employer contributions. In FY 2007, the County allocated an additional \$8.2 million as a transfer from the General Fund for this reserve as part of the FY 2007 Adopted Budget Plan, as well as an additional \$21.8 million as part of the *FY 2006 Carryover Review*. The FY 2008 Adopted Budget Plan maintains the \$8.2 million General Fund transfer to the reserve in Fund 506, Health Benefits Trust Fund, bringing the balance to \$48.2 million.

On March 8, 2007, the Virginia General Assembly passed legislation to provide the necessary legal authority to counties, cities, towns, school divisions, and certain political subdivisions to establish trust funds to pre-fund OPEBs. The Governor signed the legislation into law on March 21, 2007. Final actions required by the County to establish a trust fund are underway and are anticipated to be complete by early summer 2007. Therefore, funding set aside in the reserve will be transferred from Fund 506 to Fund 603 at the *FY 2007 Carryover Review*. The \$40.0 million in initial funding, in addition to the transfer of \$8.2 million budgeted in FY 2008, will reduce the unfunded liability and, consequently, reduce the annual required contribution to Fund 603. The annual required contribution will be calculated at each valuation and may change as a result of fluctuations in assets and liabilities. In addition to the annual General Fund transfer, any balances identified in Fund 506 at future quarterly reviews as a result of excess revenues received from employer contributions will also be considered for possible transfer to Fund 603 to assist in addressing the County's unfunded OPEB liability.

It should be noted that the benefit and administrative costs of the County's retiree health benefit subsidy are currently paid out of Fund 500, Retiree Health Benefits. It is anticipated that these costs will begin to be paid out of Fund 603 in the future. For more information on the retiree health benefit subsidy, please refer to the Fund 500, Retiree Health Benefits, narrative in the Internal Service Funds section of Volume 2.

### Initiatives

- ◆ Provide an appropriate funding level to make progress towards reducing the County's unfunded OPEB liability.
- ◆ Estimate actuarial liabilities to comply with GASB's accounting requirements for post-employment benefits other than pensions.
- ◆ Invest fund assets appropriately in order to facilitate the capture of long-term investment returns.

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### Board of Supervisors' Adjustments

*The following funding adjustments reflect all changes to the FY 2008 Advertised Budget Plan, as approved by the Board of Supervisors on April 30, 2007:*

- ◆ The Board of Supervisors made no adjustments to this fund.

### **Changes to FY 2007 Adopted Budget Plan**

*The following funding adjustments reflect all approved changes in the FY 2007 Revised Budget Plan since passage of the FY 2007 Adopted Budget Plan. Included are all adjustments made as part of the FY 2006 Carryover Review and all other approved changes through December 31, 2006:*

- ◆ The Board of Supervisors made no adjustments to this fund.

*The following funding adjustments reflect all approved changes to the FY 2007 Revised Budget Plan from January 1, 2007 through April 23, 2007. Included are all adjustments made as part of the FY 2007 Third Quarter Review:*

- ◆ The Board of Supervisors made no adjustments to this fund.

# Fund 603 OPEB Trust Fund

## FUND STATEMENT

Fund Type G60, Trust Funds

Fund 603, OPEB Trust Fund<sup>1</sup>

	FY 2006 Actual	FY 2007 Adopted Budget Plan	FY 2007 Revised Budget Plan	FY 2008 Advertised Budget Plan	FY 2008 Adopted Budget Plan
<b>Beginning Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Revenue:					
Interest on Investment	\$0	\$0	\$0	\$0	\$0
<b>Total Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Transfer In:					
General Fund (001)	\$0	\$0	\$0	\$0	\$0
Health Benefits Trust Fund (506)	0	0	0	0	0
<b>Total Transfer In</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Available</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Expenditures:					
Benefits Paid	\$0	\$0	\$0	\$0	\$0
Administrative	0	0	0	0	0
<b>Total Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Disbursements</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Ending Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<sup>1</sup> Enabling legislation to establish a trust fund was passed by the General Assembly in March 2007 and final actions required by the County to establish the trust fund are anticipated to be complete in early summer 2007. Therefore, funding adjustments will be made at the FY 2007 Carryover Review.